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The MANAGEMENT REVIEW

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The MANAGEMENT REVIEW

DECEMBER, 1936

It's Smart to Be Frivolous

THE Bowes Seal-Fast Corporation of Indianapolis has a system. At intervals during the year, an extra \$10 bill is placed in each employee's pay envelope. A neat trick, if you can afford it. But there are strings to it. Here they are: Spend every cent of the money over the weekend; spend it for something you wouldn't otherwise buy; spend it in Indianapolis. You might think that Bowes Seal-Fast is rather frivolous with this kind of goings-on. But on the contrary, this pleasant practice is but one manifestation of a well thought-out personnel program. Read about it on Page 378 (Why Our Workers Share Profits).

SUPPOSE you were going to lose a salesman. He's getting another job, or he's quitting because he's mad, or he's been fired. How are you going to replace him? How are you going to introduce a new man in the vacated territory? Maybe you have the answer already, but better take a look at Page 389 (Introducing New Salesmen) and make sure.

WE don't know how you feel about consumer cooperatives. Anyway, we hope you won't be irked by the abstract on Page 388 (Why Co-ops Thrive). According to this piece, co-ops thrive for a number of

very insidious reasons, such as having the school kiddies write essays on "What the co-operative has done for my daddy." The article states that the co-ops have disciples in every college in the land—colleges endowed with profits from the profit system!

WINDMILLS and radios. Find a tie-up.

Somebody did, and found a bonanza at the same time. Farmers living in unelectrified districts must run their radios on dry cell batteries, which have a relatively short life. Put a small generator between a windmill and the radio and you have plenty of electrical energy. E. F. McDonald, Jr., President of Zenith Radio Corporation, got the idea and put it into effect. (Page 387).

SOMETIMES salesmen have a way of bumbling into your office and rattling off a breathtaking sales talk that's supposed to leave you gasping for his product. "Make 'em write it down," says a factory superintendent, (Page 391). He does, and it works fine. Advantages: The boys tone down their sales talk; are not so liable to exaggerate; you have a definite statement as to the product's performance; you know how to use the product if you buy it, and can pass the information on to the person who operates it.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

OUTLOOK IN RETROSPECT

THERE appears to be little disagreement over the fact that the long-prophesied business recovery is here. The various indexes which are used to depict business conditions give clear evidence of a strong business upswing. Production, employment, and retail trade all not only made fine records of improvement in the spring, but did not record the summer slump which has become almost an accepted part of our business pattern. Business failures, except for a few months in 1919, have not been lower in forty years. And business profits have shown a striking increase according to recent quarterly figures.

This broad description is by no means an accurate picture of the many sub-divisions which go to make up the total. As might have been expected, the greatest gains (in percentages) have been made by the industries whose volume was most curtailed in the depression. Thus construction has revived somewhat, and the industries which produce building supplies show an extraordinary increase, when measured against a base which was very close to zero. The same sort of variation shows itself in consumers goods. Those items which were most seriously curtailed, chiefly the so-called consumers durable goods, such as radios, refrigerators, and house furnishings, now show the greatest recovery. But variations of improvement appear even in the various branches of the clothing trades.

These many differences within the business structure might, of course, be interpreted to mean that we are rapidly getting out of balance again, but a careful examination does not support this view. Rather, we seem to be in a quite healthy condition as far as current business activity is concerned, although the national budget, the prolonged advance in the stock market, and the problems of labor, both employed and unemployed, are strong reminders that our difficulties, present and potential, are not all eliminated. The commodity price structure, which was so badly out of balance, appears to have returned to something like its earlier form, agricultural and raw material prices having risen more than prices of manufactured commodities. The banks have adequate resources for loans. The prospects for foreign trade are rapidly improving. And the national income has shown a steady advance for many months.

In view of this pleasant picture, it is decidedly unpopular to advise business men to proceed with caution. But it can do no harm to recall that if depression is around the corner behind us, it is also around the next corner in the future. Let us hope that it will be farther away than the last corner proved to be when it first began to appear in prophecy, but there are no good grounds for assurance that it is not there. Already there is evidence in isolated spots of the appearance of a "boom psychology." With expanding consumer purchasing power, interest rates low, and six years of enforced consumer economy behind us, some are seeing no limit to the current upswing. They are impressed by the fact that durable goods and luxury goods are recording extraordinary percentage increases, and that the stock market has risen for many months. There is danger that we are headed for what a British professor calls "a period of optimistic error."

It needs little argument to demonstrate that the problems of prosperity are more difficult than those of depression. Tests of real character are usually more severe under favorable than adverse conditions. Carelessness and waste are creatures of profitable times, not of depressions. I know no condition which is more dangerous for a business than a period of sustained high profits. Depression does not offer all those attractive invitations for expansion that prosperity provides. Furthermore, those who urge caution are scorned as unpatriotic or disloyal.

The temptations of prosperity fall, of course, on the manager. The prevention of excesses is his job. As in the period of optimistic error which characterized the latter Twenties, there will be alluring demands for expansion — expansion warranted only by the easy profits of the day, heedless of the prospects of the longer term. In the face of such pressure, the manager must be mindful of the threat of the next depression.

For business in general, the problem of recovery should be replaced by the problem of maintaining business health. Industry programs must have that as their new objective. And those larger organizations which cut across industry lines, must concern themselves with ways and means for prolonging the prosperity period.

Probably the best resolve that managers can make today is that depression-created economies will not be too easily discarded, and that easing profits will not be permitted to create a fatal sense of luxury and business security.

Willard L. Thorp, Director of Economic Research
Dun & Bradstreet, Inc.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Business Tackles the Salary Puzzle

Urged on by the interest of many liberal and progressive business men, the wide-spread publicity given the Brookings Institution's findings, and the studies made under the direction of Edward A. Filene, business is studying the salary problem with perhaps greater interest than ever before in its history.

Just how much more business can pay in wages and salaries so that purchasing power will be increased, without a decrease in employment, is the big problem which business is trying to solve.

Early in the fall of this year the Chicago Office Management Association made an effort to gather reliable figures on salary standards. But their study was confined to the Chicago area. It will be extended nationally, and the findings will be studied and tabulated, the results interpreted, and the findings published in tabular form in several forthcoming issues of *American Business*.

Several thousand questionnaires have been mailed to comptrollers, treasurers and office managers of as many important companies in all parts of the United States, and readers who have

not received questionnaires are invited to write in if they wish to cooperate. *American Business*, November, 1936, p. 7:1.

The Supreme Court and the Constitution

Is the Constitution adequate for today? Has the Supreme Court rightly interpreted it? Should we change the Constitution or limit the Supreme Court? There are those who believe that nothing should be done, that time will cure our troubles; there are those who feel the trouble is with the Court and not with the Constitution, and there are those who want to change the Constitution and not tamper with the Court.

The author believes that the last method is the wise one and that all proposals to pack the Court or limit its powers are dangerous and would either damage the prestige of the Court or bring about fundamental changes of which the supporters of these proposals are unaware.

Professor Cushman does not believe the difficulties of drafting an amendment or amendments giving Congress the powers it needs to meet new con-

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

ditions, are insuperable. As he says, we may "feel that our present difficulties are due partly to an over-zealous extension of judicial power and partly to the failure of an 18th century constitution to meet adequately the demands of the 20th century. In this case we may attempt to solve both problems by clarifying amendments to the Constitution. . . ." By Robert E. Cushman, Professor of Government, Cornell University. *Public Affairs Pamphlet No. 7*, 1936. 48 pages.

Prelude to a Survey of World Guidance

On the eve of publication of *Vocational Guidance Throughout the World* a tempting preview is offered in the form of "Chapter One" from this important educational volume by two outstanding specialists in the guidance field. By Franklin J. Keller and Morris S. Viteles. *Occupations—The Vocational Guidance Magazine*, December, 1936, p. 207:5.

The Literature of Business Statistics

This bibliography refers to and annotates the best available material dealing with statistical techniques as applied to business. It is not intended to be all inclusive; it is selective.

The usefulness of the study is enhanced by the fact that the references are classified to indicate the special field of business management to which the literature refers. One section is devoted to statistical method, as such. The fields of marketing, personnel, finance, production and real estate have their

separate consideration. Beyond that the material is grouped separately for the subjects of forecasting, population, growth curves and secular trends. By Olin W. Blackett. School of Business Administration, University of Michigan, *Michigan Business Studies*, Volume VIII, Number 1, 1936. 67 pages.

Machine-Made Jobs

This report is the third of a series giving factual evidence that jobs are created by the advance of science and invention. The contents are "buts and ands that must be considered in connection with common statements which on the surface appear to prove that machines cause unemployment."

It deals with many of the leading industries in which machine developments are often accused of having destroyed employment opportunities. Among the facts presented are:

Telephone girls increased by more than 50,000 during the ten years that the dial system was being installed, and linemen increased 100 per cent.

Ice dealers more than doubled between 1920 and 1930 because mechanical refrigerators popularized all refrigeration.

Machines have revolutionized office work in recent years, yet stenographers and typists increased 32 per cent and bookkeepers, cashiers and accountants increased 27 per cent between the last two census years. Population increased only 16 per cent.

A printer today can set more than five times as much type as one without a linotype did in 1890, yet there are five times as many employed in the

industry as there were then because machinery has lowered prices and made possible the vast growth of the printing and publishing business. *Machinery and Allied Products Institute*, December, 1936. 13 pages.

A Reading List on Business Administration

This booklet comprises a carefully selected reading list on business administration including the most important books on business published within the last two decades, with emphasis, wherever possible, on the most recent volumes or editions.

It includes about 300 titles and the

contents or distinctive approach of each book is given in an accompanying annotation. The divisions under which these books are classified include: The business system and economic policies, the administration of business, industrial relations and personnel management, marketing, foreign trade, finance, accounting, business statistics, and business law.

The list is of service to executives in establishing small libraries of business books, and in calling attention to the most important contributions made to the field of business theory and practice. *The Amos Tuck School of Administration and Finance*, Dartmouth College, 1936. 62 pages. 30 cents.

FINANCIAL MANAGEMENT

Your Borrowers Profits Are They Real or Artificial?

The study of modern business by a bank credit man is a technical job. Here is some help from a professional business consultant. From the standpoint of stockholders and management the primary objective of every industrial enterprise is to secure a profit but the meaning of the word profit is often lost sight of. The author defines profit as consisting of money earned *over and above* all items of expense, including depreciation and obsolescence.

Neither advertising, prices, production costs or nature of product, considered independently, can be depended upon as sources of profit. Only by coordination of these factors can profits be gained.

Profit planning involves two main

steps: 1. securing the actual facts and 2. planning upon the basis of these facts. Basic facts although not always easy to get at and not always comfortable when brought to light are necessary to intelligent profit planning. To ascertain probable net profits one must first determine variable costs and fixed expense. The break-even point in volume below which a company operates at a loss and above which it operates at a profit, is then easily discovered. The safest key to a reduced break-even point is reduced costs. Costs must be so calculated as to indicate accurately cost trends in relation to volume. Only on such a basis will they be of value in looking toward the future.

Variable expenses offer a more fruitful field for economies than do fixed expenses and so should be concentrated

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upon. After establishing a low point of costs the next step is to turn completely away from production and office problems and centralize upon market possibilities — a market survey. Then, too, a centralized control system is established which checks each month's record against estimates, reasons for variations are analyzed and corrective measures are taken if necessary.

However, there is no sure-fire formula for profit and Trundle sanely concludes that his plan will not protect any company against the inroads of new inventions, lack of quality in its own product, rapid shifts in buying habits, or sudden tightening up of the public purse strings. His plan is not a panacea for all business ills but it does accomplish the following objectives: 1. it founds procedure on facts. 2. it translates objectives from hypothetical into tangible figures. 3. it permits the setting up of definite monthly controls. By George T. Trundle, Jr. *Bankers Monthly*, December, 1936, p. 713:4.

What to Do With the Profits

Obviously the purpose of the new surtax on undistributed earnings is to discourage the accumulation of surpluses by compelling the distribution of current income. But distributing earnings in the form of dividends is neither the *only* way to prevent such accumulation nor necessarily the best. Another way is to earn less by spending more to fortify the business against future contingencies. The traditional way of safeguarding the future—the accumulation of a surplus—is frowned upon by the government; other ways

must be found to accomplish the same objective.

Typical of what a chain can do to minimize the unknown hazards of the future: Revise the wage structure, modernize existing stores, expand, improve relations with manufacturers, promote sales, and cultivate public good will. *Chain Store Age*, Administration Edition, September, 1936, p. 11:2.

The Stockholder Holds the Bag

Here are some of the ways in which corporations lower their profit tax liability:

- Increasing advertising and research expenditures.

- Paying bonuses or wage and salary increases.

- Paying off dividend arrears in stock, bonds or notes.

- Issuing rights to new stock.

- Paying five "quarterly" dividends.

- Paying dividends in preferred stock to common stockholders.

- Paying dividends in common stock to preferred stockholders.

Aside from the immediate tax cost to the stockholder, what ultimate effect is a forced dividend policy likely to have on the stability of stock investments? Time was when a company found it to its best interest to maintain dividend regularity. Old, established, well-run companies, seeking the investor's dollar plus his confidence, made it their business to so regulate their dividend policies as to equalize and level down dividend payments between good and bad years.

But such a policy under the present

plan of taxing corporate undistributed profits is practically impossible. Or, if not impossible, will at least prove very costly to the corporation. For, in effect, the undistributed profits tax on the corporation is as much a tax on the privilege of carrying over income from one year to another as anything else. Take for instance the simple proposition of a company with one prosperous year followed immediately by a year with no net income at all. Assume the management wants to pay out half the prosperous year's income in each of the two years. It cannot do that under the present tax law without first paying an undistributed profits tax on that part of the income which it does not distribute during the prosperous year. The cost of the mere privilege of deferring distribution of half the income for a year is very steep. Under the circumstances, management is being forced to sacrifice dividend continuity in favor of an immediate hand-to-mouth feast and famine dividend policy.

The stockholder, in consequence, is likely to be hurt in more than one way. He may not be badly off during the prosperous years, even after paying the tax on his dividends; that is, providing he has been lucky enough to receive his dividends in cash, so that he has something to pay the tax with. While the dividends are rolling in, the market value of the stock is favorably influenced which somewhat alleviates the effect of the tax bill, but what will happen to stock values in the lean years when there are no earnings and no reserve carried over from the more prosperous years? To answer this

question we need but recall that during the depression, many billions of dollars were paid in dividends out of reserves accumulated from earnings of prior years. What might have happened to security values without this very important prop is not pleasant to contemplate. By M. L. Seidman. *The Magazine of Wall Street*, November 21, 1936, p. 156:3.

Balance-Sheet Form and Classification in Corporate Reports

This is a study based on a detailed analysis of the form and classification of the balance sheets included in the stockholders' reports of all the industrial corporations having stocks listed on the New York Stock Exchange in September 1932—587 in number. Because of the rigid requirements of the Exchange for listing, and because of the fact that approximately 92 per cent of these statements were certified by 88 different accountants and auditors, it may safely be concluded that although they are not representative of American practice in general, they are probably representative of the *best* American practice. It should not be inferred from this, however, that what is, is good. Any informed person will recognize numerous violations of sound accounting theory in many of the results presented. However, no one will deny that theory has much to learn from practice.

This article will be followed in a later issue of the same magazine by a second one giving summaries of corporate practice in the handling of individual items in balance sheets. These

are a study published in *Classification* E. I. F. September

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are a part of a more comprehensive study by the same author being published under the title, "Balance Sheet Classification and Terminology." By E. I. Fjeld. *The Accounting Review*, September, 1936, p. 211:19.

Why Companies Fail

An examination of 1,012 commercial and industrial enterprises which during 1935 were permitted to reorganize under the provisions of the amended section 77-B to the National Bankruptcy Act reveals that two conditions were so common as to indicate that they were fundamental, widespread business weaknesses.

The first weakness was the tendency of operating officials to invest an increasingly large percentage of their company's tangible net worth (the sum of capital, surplus and undivided profits less intangibles such as goodwill, patents) in fixed assets.

Progressive business men now generally agree that an active industrial or commercial enterprise with a tangible net worth between \$50,000 and \$250,000 should have not more than 66 2/3 per cent of it in fixed assets; and, if the tangible net worth exceeds \$250,000, not more than 75 per cent should consist of fixed assets. When these proportions are exceeded, depreciation charges are too heavy, the net working capital is too small, and liabilities expand too rapidly for the health of the concern as business increases.

Financial statements made available during the two-year period preceding the day on which the petitions were filed, were available on 313 of the

1,012 concerns which asked for reorganization under 77-B in 1935. A study of the statements of these 313 enterprises reveals, first of all, that 206, or six and one half out of every ten had, at some time during the two years, fixed assets which amounted to more than 62.5 per cent of the tangible net worth. Second, 188, or six out of every ten, had fixed assets which amounted to more than 75 per cent of the tangible net worth. Finally, 153, or almost half of the companies, had fixed assets which were greater than tangible net worth—which means that they were able to operate only by using borrowed money (mortgages, bonds, debentures or serial notes) as working capital.

The second widespread business weakness revealed by the study was the tendency to finance these top-heavy additions to fixed assets and to carry on general expansion programs during a business up-swing by long-term borrowing—by mortgages, bonds, debentures, or serial notes—which then gradually furnished an increasingly large proportion of the net working capital.

This method of financing expansion programs leads directly to another business rule, one which has long been regarded as fundamental: Rarely, if ever, should the funded liabilities exceed the net working capital.

Yet, of the 190 cases which had long-term funded debts, 163 showed funded liabilities which exceeded the net working capital. In other words, in addition to attempting to carry excessive depreciation charges because

their fixed assets were larger than the size of the business could reasonably support, a substantial proportion of these concerns were also attempting to pay annual interest charges on an excessive amount of borrowed money.

The combination is a hard one to beat. And these companies, obviously, did not succeed in beating it. Their operations gradually became cramped, and then petrified. Perhaps in some cases the outcome was inevitable. By Roy A. Foulke, Dun & Bradstreet, Inc. *Forbes*, October 15, 1936, p. 18:1.

The Tax on Undistributed Profits

The purpose of the tax on undistributed profits—according to the Commissioner of Internal Revenue—is to correct inequalities in the taxation of incorporated and unincorporated businesses, and increase Federal revenue by removing important sources of tax avoidance.

Such a tax, however, may have greater value as a regulator of corporate practice, accomplishing automatically many of the purposes heretofore attempted through elaborate government control or voluntary cooperation. By David M. Figart. *The Society for the Advancement of Management Journal*, November, 1936, p. 149:8.

Facts About Stock Exchange Trading

Studies by the Securities and Exchange Commission show that, in 1935, 86 per cent in value of stock sales on exchanges took place on the New York Stock Exchange, 9 per cent on the Curb, 5 per cent on 31 other exchanges.

Of 450 New York Stock Exchange firms, only 172 got more than 85 per cent of their income in brokerage commissions. Of these, 66 do not trade for themselves, but 80 have partners who traded at least 5,000 shares each in one month. One partner traded 910,000 shares in that month.

In the second half of 1935, purchases and sales of stock by Stock Exchange members acting for themselves were 24 per cent of the total. Unless they sold to each other, this means that a member, acting for himself, was on one side or another of 48 per cent, or nearly half, of all the trades that were made.

In 20 active big board stocks, members accounted for 30.5 per cent of purchases and sales. In 8 active Curb stocks, members accounted for 35.9 per cent and so, unless they sold to each other, were on one side or the other of nearly three-quarters of all transactions in those stocks.

Excluding specialists, Stock Exchange floor trading in active stocks was nearly twice as great as in inactive stocks. Similar trading in active Curb stocks was nearly five times as great as in other stocks.

During 139 trading days in the second half of 1935, trades of floor members were with the trend for 90 days; against it, 49 days. *Review of Reviews*, November, 1936, p. 41:1.

Will Higher Wages Prove a Spur to Business?

Demands for increased wages beyond the point warranted by efficiency inevitably brings higher prices and a

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contraction of purchasing power. The flood of increased wages, however, is, on the whole, justified when weighed against the general good of the country. The need for corporate strength has been generally satisfied and by-and-large stockholders have received all they are entitled to receive before sharing further gains with labor. Only by revising wages upwards can industry hope to create that mass market essential to the absorption of its output.

A great deal of labor unrest can also be avoided if a little more willingness to share increased profits is displayed.

It may be an established precedent for all wages to lag behind prices but if they continue to lag as much as they have in the past four years we are headed for trouble. Inflation and the inevitable soaring of prices would be

the ultimate ruination of the worker. But if wages regain the ground lost to prices it will mean an increase in the public's purchasing power and consequently a firm foundation on which a further expansion in business may rest.

The maintenance of mass purchasing power rests more and more on higher wages—wages which keep pace with or are higher than advancing living costs. We are headed in this direction. Labor, a potent power and tacitly backed by the Federal Government, will use its power upon recalcitrant employers to better itself. If it does not overplay its hand, Labor's gains should ultimately be industry's gains and indirectly even the investors' gains. By Norman Trumbull Carruthers. *The Magazine of Wall Street*, December 5, 1936, p. 204:3.

INSURANCE *

Revising the Standard Fire Policy

Julian Lucas, President of the National Association of Insurance Brokers, recommended that each Local Association appoint a committee for the purpose of thoroughly studying the subject and report their suggestions for final submission to the special committee of the National Association of Insurance Commissioners.

Some of the suggestions made by Mr. Lucas included amendment to cover direct loss by lightning; coverage for a building dynamited for the pur-

pose of staying a conflagration; explosion hazard (except steam boiler, etc.); changing the breach of warranty clause so that a breach of a policy condition or warranty as to occupancy, increase of hazard, or the use of prohibited articles, does not void the contract unless they contribute to the loss.

Considering the Fall of Building clause, Massachusetts and some other states, have no such condition. If fire loss following an explosion, is within the coverage of the policy why should not fire following the fall of a building, be also included?

* Insurance abstracts are contributed by P. D. BETTERLEY, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.

If some restriction is not put upon rating organizations in the use of the various types of restricted clauses, the entire framework of the standard fire policy will be destroyed and its very purpose defeated. Regarding the inclusion of the supplementary coverage within the standard policy, Mr. Lucas believes that the educational work has not proceeded far enough to win their general acceptance. By advocating this advanced step, we might destroy the possibilities of getting the first objective approved — namely, the general adoption of one standard fire policy. *The Weekly Underwriter*, October 31, 1936, p. 1064:2.

Accountants Liability Insurance

Accountants liability insurance, while not of strictly recent development, is probably not familiar to the majority

of insurance brokers and accountants.

The policy covers the name insured against claim for damages caused by neglect, error or omission of any partner or officer or employee of the insured in the performance of accounting, auditing and/or tax determination services.

This insurance is written for a one year period in the minimum amount of \$20,000 and with a maximum of \$200,000.

The policy does not insure against: (A) loss and expense due to any dishonest, fraudulent or criminal act; (B) liability under the National Securities Act of 1933.

This insurance is underwritten on the basis of the reputation, standing and experience of the partners of an accounting firm or the officers of a corporation. *The Eastern Underwriter*, October 23, 1936, p. 37:1.

OFFICE MANAGEMENT

Guidance and the Commercial Graduate

The layman may be puzzled by frequent employer demands for stenographic help while thousands of stenographers and typists go unemployed. The reason for this is that there is an actual scarcity of really proficient stenographers.

Besides the fact that there is an oversupply of young women being trained in stenography (and at the same time an undersupply of young men stenographers), a decided stumbling block to commercial graduates is their failure to maintain their stenographic skills.

While the placement office can do much in brushing up the experienced but rusty applicant, it cannot so easily take care of some of the other problems, such as a lack of proficiency in the operation of office machines, the inability of employees to sell themselves during the interview, the lack of sales training which is essential in many types of jobs, lack of experience, and the inability of employees, after they are hired, to adjust themselves to their jobs — due far more to deficiencies in personality, such as lack of interest and failure to apply themselves to the job, than to inability to do the work.

The author suggests remedial measures for each of these problems. By Theodosia Hewlett. *Occupations—The Vocational Guidance Magazine*, December, 1936, p. 221:6.

15 Short Cuts in Filing

1. Use a sorter before filing. Often firms do not file more than twice a week because material is as readily found in the sorter as in a cabinet. Throwing papers on a table is extravagant in the length of time required to classify material. If regulation sorters are not available, there can always be found an empty drawer in a filing cabinet.

2. Cross references are often looked upon as a complication in the filing system. Actually they save much time in hunting for elusive material; an elaborate form need not be used, scrap paper of bright color and mimeographed approximately as follows will serve: Name, Address, Regarding, See, and the date.

3. Analysis of motion must take place in the office as well as in the factory. So simple a matter as stuffing envelopes can be performed twice as fast by some clerks as by others. A new file clerk taught to fan her cards, to eliminate shifting papers from one hand to another, to handle papers as few times as possible when marking and preparing for file, will soon become a rapid operator. Bonus plans in this work have also proved effective. One firm increased its production 141 per cent in 28 weeks' time by training its file clerks to do each step in the best way, offering a bonus as an incentive.

4. Guide tabs should be clear, easily

read, and visible to the eye of the clerk. The names of important customers should be printed and the inserts put into blank guides.

5. A record should be kept of papers loaned from file. Some firms have adopted the following procedure: "A" borrows a letter from file and it is charged to him. He passes it on to "B," at the same time filling out a three-by-five form from a pad on his desk, giving a description of the item, to whom loaned, date and his name. This card is put in the file basket, is collected, and replaces the original charge in the file. "B" does likewise when passing the paper to "C." If anyone fails to cooperate, the system collapses, of course.

6. Aisle space between cabinets which face each other should be at least 5 feet wide to permit two opposite drawers to be opened at the same time, or to allow someone to pass through while the file clerk is working at an open drawer.

7. A schedule for the retention of records will save space and equipment in the transfer room and will settle once and for all the question of what papers to destroy at the end of a given period. A committee including counsel is often appointed to study this problem. Upon completion of the committee's study, a written schedule is given to the file department so that automatically it can assume charge of the destruction of records at stated intervals.

8. Occasionally firms use the wrong method of filing. This may be due to the fact that a system started years ago has been utilized without investigating

the possibility of other methods of filing.

In the normal office, papers should reach the file room within 48 hours, and a 24-hour schedule is often maintained. Part of the delay in getting papers into the file room may be due to the fact that collections are not made frequently enough.

Every paper coming to the file room should be marked so that the filing department can know at a glance that the transaction is completed and ready to file. Papers not so marked should be returned by the filing department.

Folders should not be overcrowded, and 75 papers to a folder are usually ample; the quarter- or half-inch space allowed by the scoring at the bottom should not be bulged.

Personnel is important. Many clerks are not interested in filing. The requirements are love of detail, an analytical mind, a sense of orderliness. The filing department is often a training school for other departments. Young men often like the work if they know it is a step up the ladder. For those desiring a more permanent staff, women will be found much more satisfactory. By B. W. Weeks, *American Business*, November, 1936. p. 20:3.

Control of Forms

Proper control of forms, the unruly horse in the equipage of modern business, should logically be under the guidance of the purchasing agent. When a new form is suggested not one man but several should be called in to decide on its adoption. What information is needed, and will the proposed form get

that information more quickly and easily than some existing form, are questions to be considered.

Old forms must be properly cared for. There should be a place for each one and each one in its place. Then, too, a regular and systematic follow-up of forms is conducive to the perpetration of only those forms which are really essential while the others will be gradually discarded. By Joseph Sawyer. *Office Appliances*, December, 1936, p. 27:3.

Decentralizing the Files

At one large company, geographical distribution of the departments throughout a large office building made one central filing department impractical. Furthermore many department heads were found to prefer having files pertaining to their own department directly under their own control.

The company solved the problem of central versus department files by a compromise solution which has worked out excellently. Several major divisions have their own files. These are the purchasing, production, sales, accounting, and financial, etc. Each is a central unit.

The whole group is, however, under the authority of one girl who is a "working foreman" of all files. She works out the filing systems and is in charge of all file clerks.

Peak loads are easily handled. When one division has a heavy load or gets behind, the files supervisor, who has the responsibility for the smooth running of the files and authority to make them run so, steps in and transfers a girl from a section where the work is lighter

at the moment. In this way the work keeps flowing, and no department has the extra filing help which otherwise would almost surely be employed to care for peak loads. When a file clerk

is transferred to another department, she remains charged to the department to which she actually belongs. *The Office Economist*, September-October, 1936, p. 8:1.

PRODUCTION MANAGEMENT

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Analysis of State Unemployment Compensation Laws November 15, 1936

This analysis contains only the most significant provisions of state unemployment compensation laws as interpreted by rules and regulations made by the state agencies administering them. It includes applicable provisions from other state labor laws, such as those dealing with public employment offices and the administration of labor legislation. The Texas law, enacted October 27 and approved November 5, was the last to be included in the Board's analysis.

Although not included in the analysis, the State of Colorado adopted an unemployment compensation law on November 20 which was approved by the Social Security Board on November 27. With the passage of the Colorado law, the total number of workers in the country now assured of a living income during periods of enforced idleness is nearly 9,000,000.

The following states now have unemployment compensation laws: Alabama, California, Colorado, Idaho, Indiana, Louisiana (not included in the analysis), Massachusetts, Mississippi, New

Hampshire, New York, Oregon, Rhode Island, South Carolina, Texas, Utah, Wisconsin, and the District of Columbia. *Unemployment Compensation Circular No. 2*, Social Security Board, 1936. 12 pages.

Analysis of Production, Wages and Employment in the Manufacturing Industries

This is a series of statistical analyses; one is a summary of all manufacturing industries from 1899-1933, and there are subsequent analyses treating fifteen individual groups of industries and a few separate industries (1914-1933) as classified by the Census of Manufactures, U. S. Department of Commerce, the source from which all the statistical information has been taken.

The following commentary is made in the introduction to these analyses: "Manufacturing industry, by reason of its present type of organization, its present level of efficiency, the introduction of labor-saving devices, and mass production, is dependent upon mass consumption. Statistics show that the consuming power of the workers in the manufacturing industries (who in 1930 represented 23 per cent of those gain-

fully occupied in all industry including agriculture), originating in wages and measured in dollars, was practically the same in 1929 as in 1919, and that the number of persons employed in 1929 was less than in 1919. (If 1929 is compared with 1920, both total wages and employment show a decline.) Mass purchasing power as indicated by the employment of wage earners was decreasing, total purchasing power measured in total wages paid was practically static during this ten-year period, and the purchasing power of the individual wage earner measured by his average yearly wage showed a very small increase when compared with the increase in production.

"The clear indication is that manufacturing industry as a whole has not contributed to the support of the consuming market in proportion to the increase in production. If manufacturing industry as it is now constituted cannot make its proportionate contribution, it must look to the other sections of our economic structure as presently constituted; namely, agriculture, trade, services, etc., to contribute a proportionately larger share; or it must depend upon the uncertain creation of entirely new industry and the uncertain creation of new manufactured products to take up the slack in employment." *Council for Industrial Progress, Coordinator for Industrial Cooperation, 1936.*

Striking Against Strikes

Strikes are never twice alike. One cannot say this must be done, that must not be done. But there are fundamental

moves that management can make to lessen the strike possibility.

Employer - employee problems are practical problems for which practical solutions must be found. Men have confidence in the management that tries to find out what these problems are and then sits down with the men to determine the practical solutions to them. And few men will turn on the management in which they have complete confidence. By Ralph A. Lind, Regional Director, National Labor Relations Board, Cleveland. *Factory Management and Maintenance*, December, 1936, p. 36:4.

Why Our Workers Share in Our Profits

Plan 1: All through this year, officials of the Bowes Seal-Fast Corporation (automotive products, Indianapolis), have periodically slipped an extra ten-dollar-bill into every employee's envelope. Workers are told to spend every cent of it over the weekend. Sole other restrictions on the spending: (1) Employees must buy something they wouldn't otherwise have bought; (2) the money must be spent with Indianapolis owned business institutions. We believe that an individual's physical reactions are basically prompted by his emotions and a happy, interested employee does not get tired and slow down when he is playing to win an award in which he will participate; and then, too, an interested employee is as easily educated as an interested child. He appreciates education in lieu of supervision and he will use his education to the advantage of everyone concerned. By

Robert M. Bowes, President, Bowes Seal-Fast Corporation.

Plan 2: On December 1, the rank-and-file employees of Baltimore's National Brewing Company became eligible for "labor dividends" under a system installed this fall which makes profit sharing an incentive to better work instead of a mere donation or gift. Business is made up of Money, Man-Power, and Management. The first two in combination, given sound management, provide the formula for a successful operation. Just as earnings attract capital so do earnings attract superior man-power. The company which can attract superior man-power is providing an added opportunity for profit to invested capital.

An additional return to labor, over and above wages, is made available in the same manner that there is an established method for adding to management's working-capital extra capital dividends from added earnings resulting through unusual accomplishment. By Arthur H. Deute, President, National Brewing Company. *Forbes*, December 1, 1936, p. 10:3.

How the Courts View the Labor Act

While there have been some important decisions under the National Labor Relations Act, no cases involving a substantial question have been passed upon by the United States Supreme Court. This is particularly true so far as the question of constitutionality is concerned. As a matter of fact, it is extremely difficult to glean from the decisions of the Circuit Court, with the

possible exception of the Associated Press case (which was decided in favor of the Labor Board), a definite and positive view on this question.

It is fairly clear, however, that the scope of the Act will be restricted to those activities that are essentially interstate in nature, or directly affect interstate commerce, and that it will not be applied to production or manufacturing processes. It also seems clear that certain activities within organizations engaged in production or manufacturing might be held to come within the act, such as those in shipping departments of concerns doing business in interstate commerce, traveling salesmen, editors of newspapers and magazines designed for interstate circulation, and operatives in related capacities. By J. A. Gerardi, Counsel, McGraw-Hill Publishing Company, Inc. *Factory Management and Maintenance*, October, 1936, p. 41:4.

Unemployment and Prospects for Reemployment in Massachusetts

Analysis of the unemployment statistics for the Commonwealth of Massachusetts in the federal census of 1930 and in the state census of unemployment in 1934 shows that the crux of the unemployment problem lies in the manufacturing and mechanical industries. In 1930, 48 per cent of all gainful workers in the state were classified as normally engaged in the manufacturing and mechanical industries. Almost 60 per cent of the unemployed in 1934 came from these industries. The future of employment in these industries will determine largely whether the unem-

ployed in Massachusetts will be re-absorbed in their old occupations within the state. By Donald H. Davenport and John J. Croston. *Business Research Studies, Number 15*, Harvard University Graduate School of Business Administration, 1936. 73 pages. \$1.00.

Collective Bargaining in the Hosiery Industry, 1936

There is considerable uniformity in labor conditions throughout the union shops in the hosiery industry, due to the influence of the agreement with one large employers' association and to the functioning of the impartial chairman. The provisions of the union agreements and the administration of these agreements by the impartial chairman, in the various branches of the hosiery industry, are described. *Monthly Labor Review*, September, 1936, p. 558:15.

Wage-setting Research

The compensation of employees and executives needs more intensive study than is now devoted to it by most firms. It is a problem of price setting that demands thorough analytical investigation rather than rule-of-thumb decisions. But since labor as a service cannot be dissociated from the men and women who supply it, the research used must take account of their feelings and emotional reactions. And since economic factors set the limits within which an individual enterprise must operate, economic considerations must also be thought of.

The following tests convey our conception of what is good compensation: 1. The pay of each individual should be based primarily on his current con-

tribution to the enterprise rather than on his length of service or his need. 2. The rates of individual occupations and jobs should bear a satisfactory relationship to the rates paid elsewhere in the same company and to those paid in the same market. 3. The employee earnings on an annual basis should meet minimum standards of adequacy.

Perhaps the most serious indictment of the wage practices of industrial firms is that they tend to pull their base rates out of the air with little or no study and investigation, despite the fact that many of them use care in setting their output standards and spend large sums of money for standardization and time study work. Too little research is done on underlying basic compensation, and too little is known about it.

Perhaps the general nature of the investigation that should be used in setting base rates and basic salaries may be indicated best by suggesting these questions for which answers are needed: what is the work being done by those in each occupation and job? The answer requires a job definition or description. How do the several occupations and jobs differ in difficulty and responsibility and what differences in skill are required? How closely do the existing rates of pay correspond with relative difficulty and responsibility? What rates are paid in the same labor market for comparable work?

The work should be motion studied, time studied, and standardized before financial incentives are installed. The time study man should know instinctively the difference between good and bad motions. He must be able to com-

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mand sufficient respect from workmen so that he can win a measure of confidence and cooperation in a situation in which workers are naturally distrustful. By C. Canby Balderston. *Personnel Journal*, December, 1936, p. 220:5.

EDITOR'S NOTE: The reader will also be interested in Professor Balderston's detailed article "Grading Positions and Establishing Pay Schedules," published in *Institute of Management* 17, by the American Management Association.

PERSONNEL

1936 Personnel Trends

About two and a half years ago a class in personnel management at Toledo University conducted a survey of personnel practice in representative firms. The results of this study were published in *Factory*. This study was repeated last June. The results are summarized in a table in this article.

After describing the scope of the study, certain points of interest are pointed out: Subject to inevitable limitations in the interpretation of questionnaires, certain tendencies stand out clearly from the study. The use of application blanks and interviews in hiring, personal introduction to the job, instruction on the job, group, accident and health insurance, first aid stations, and some plan of financial aid or loan to employees seem to be well-nigh universal.

Altogether, the survey shows that more attention is steadily being given to organized personnel procedure. Many of the practices that were innovations in 1929 are growing into general acceptance today. Although cyclic influences tend to affect the use of many of the procedures, all of the personnel methods and plans listed, except plans for sale of company stock to employees, seem to have stood the tests of the de-

pression. By Donald S. Parks, Personnel Director, University of Toledo. *Factory Management and Maintenance*, December, 1936, p. 39:1.

Personnel Management Past, Present and Future

A report of the National Industrial Conference Board gives us a comprehensive statistical record of the extent of personnel activities. Virtually all the functions assigned to personnel departments are enumerated and the study is a factual, not interpretative, one.

Tead attempts to base thoughtful commentary and some projection of present trends into the future on this record.

He considers three broad counts of criticism of personnel work:

1. It is claimed that the money spent on personnel work could better go into the pay envelope. (This argument he considers insignificant.)
2. Will good personnel work forestall interest in joining regular labor unions? The extension of personnel work and the anti-union activities of employers were by no means the only reason for the relative apathy of labor organizations in the last fifteen years. An important obstacle to the growth of the labor union has been the inertia of

the organized labor movement itself.

3. Is there too much of the paternalistic in present day personnel work? In the ultimate philosophical sense there undoubtedly is. The individual, himself, should make the choices, assume responsibility, pay for his mistakes as well as profit by his victories. The personnel department should become a department of personality. There must be a democratizing of the personnel techniques by a sharing of results. The workers should become citizens in an industrial commonwealth. This should be our ultimate goal.

Personnel management in the future also has this new economic responsibility of thinking of its policies of compensation as policies also of purchasing power distribution which will stimulate interest in some technique of sharing profits with workers. The industrial and economic world is dynamic to its very core, however, and we must not have any final answers. The job of management is to see today's problems in terms of the objectives of a democratic society and to raise our eyes occasionally to the newer problems which tendencies, economic and moral, are thrusting upon our attention. By Ordway Tead. *The Society for the Advancement of Management Journal*, November, 1936, p. 157:5.

Periodic Examinations

It is said that it costs a railroad \$10,000 to develop a good locomotive engineer. It is therefore perfectly natural that the management should want to preserve this investment to its limit of usefulness. When employees have

reached the age of 55, the inefficient and the careless have been well weeded out. At this age employees are reaching their full value to the company. The only thing that can ruin their value as an asset is some insidious disease which may not show itself to the casual lay observer.

In most cases the degenerative diseases do not begin to cause serious inroads on efficiency until the age of 55 or over. Therefore the time for annual examinations is set at this age. Between the ages of 50 to 55 biennial examinations are made as a further safeguard, and before the age of 50 triennial examinations should discover the early development of degenerative disease, also C. N. S. lues, diabetes and other destroyers of efficiency.

When these examinations were first begun they were looked upon with a great deal of skepticism by the employees. Many of them had a vague fear that they were about to lose their jobs. This seems to have largely disappeared except among those who are conscious of physical defects. The one great concern of most employees during the examinations is their blood pressure. The reason for this is perhaps that more men have been placed in restricted service on this account than for any other reason. They have an idea that hypertension is something which can be cured. If it has been high and is coming down, they are delighted. They have never been taught that it is nature's response to physiological demands and it is not to be tampered with, especially by the giving of drugs to reduce it, and that its only treatment lies in the treatment of

diseased processes in the body which may tend to cause it or aggravate it.

The family doctor seems to be the most difficult and unsatisfactory part of the entire problem. The expedient of temporary removal from service for the purpose of arousing a sick man to the importance of his condition should probably be used more than it has been in the past. Please do not believe that all family doctors are bad. We frequently encounter brilliant and gratifying exceptions. A small percentage of our employees go to clinics and receive high-class service. We do not intend an indictment of the family doctor. We have stated facts based on experience. We are driven to the conclusion that many of the family doctors of our employees are overlooking not only the welfare of their patients, but their own as well. By George P. Myers, M. D., Medical Director, New York Central System. *Industrial Medicine*, November, 1936, p. 5:3.

Personnel Management

This is the twenty-first in the series of articles for the "Plant Operation Library" published by *Factory Management and Maintenance*. This one includes seven chapters covering thoroughly the aspects of personnel management. The titles of them are: Personnel Management Pays Its Way, Selection of Employees, Personnel Maintenance, Training and Education, Medical and Health Service, Safety and Accident Prevention, and Personnel Service Work.

The text is well illustrated with charts and tables. There is a chart of

the organization of the Industrial Relations Division at the Procter & Gamble Company, chart of the personnel activities at the Goodyear Tire and Rubber Company, a table showing the average cost per employee of selected personnel activities and of all personnel activities in 1933, a table of personnel factors to be considered in selection, a qualification rating chart, and a rating scale of health activities. By J. E. Walters, Director of Personnel, School of Engineering, Professor of Personnel Administration, Purdue University, *Factory Management and Maintenance*, December, 1936, p. S-334:11.

Incentive Compensation Plans for Executives

In a study previously conducted, it appeared that 62 companies, out of the 100 companies analyzed, paid additional compensation or bonuses to executives in 1929. In the present study, the question of the payment of bonuses was reviewed again and 50 of the companies, which paid or appeared to pay additional compensation at various times, were examined. Of this number, about one-half gave no information about additional compensation provisions, 5 were vague and doubtful, and 22 gave their plans and other information which could be studied.

Although widened in places, this study, nevertheless, refers chiefly to these 22 industrial companies and does not pretend to include banks, railroads, utility, retail, or certain other companies. This sampling is too small to permit wide generalizations. However, the

following general conclusions appear clearly established by the present analysis:

1. All plans attempt to stimulate the interest of the management in the company. Certain of them may tie more closely the bonds of common interest between stockholders and management; others do not.

2. If the incentive payment plans for executives are to achieve their objectives, they should be carefully devised and definitely outlined. However, only a fraction of the companies paying additional compensation indicated that they had any thoughtfully developed plan available to stockholders.

3. Incentive payment plans frequently have been adopted without careful study of a company's problems, the contribution of management to earnings, the nature of earnings, and similar questions. Certain plans, however, have been worked out carefully and should prove of value.

4. The average cash salaries of presidents receiving straight compensation as indicated by 1929 reports tend to be less than total compensation arising from salaries and bonuses paid to presidents of companies with bonus plans. In other words, bonus-paying companies distributed to presidents in 1929 a share of earnings in addition to that which might be described as the "going rate for executives."

At present more and more companies are adopting incentive payment plans for executives or reviving plans which were dormant during the depression. This study suggests that executive compensation, as far as it relates to salary

and bonus plans, may follow two lines in the near future: (1) large cash salaries for senior (or "policy") executives with no bonuses, or (2) cash salaries with moderate bonuses after dividends have been earned and paid to stockholders. By such arrangements, it is believed, the desirable mutuality of interests between owners and management would be best served. By John C. Baker. *Harvard Business Review*, Autumn, 1936, p. 44:18.

Keeping the Employee Sold

The specter of labor difficulties hangs over many a company which otherwise might view the future with confidence. The problem of industrial relationship consists in effecting a meeting of minds between employer and employee. The employer wants reliable and loyal men who will do good work. The employee wants fair wages, steady work and good working conditions.

The first move lies with the employer. A business is made up of management, customers and employees. If the employer would give the employee the same consideration he gives the customer, a big step would be made toward establishing good industrial relations.

Frequent personal contact between the executive head of the organization and the rank and file of workmen is a prime requisite of a proper labor setup. Men want to know their company's business outlook and how it is progressing in competition with others. They want to know something about markets and the sales outlook. They want to be told about new developments

within the company, instead of simply being allowed to read news of this sort in the papers like any outsider. Internal house organs, bulletins and the like are of value in so far as they repeat, and set forth in tangible printed form, facts and policies of a general nature, the substance of which is in line with discussions previously conducted upon a personal basis.

Salesmanship today applies to far more than the distributive side of a business. A company must be sold to its employees as well as to its customers. By Philip E. Bliss, President, The Warner & Swasey Company. *Nation's Business*, September, 1936, p. 44:3.

The Worker's Point of View— Holidays with Pay

The author, a working mechanic of over thirty years' experience, points out that payment for holidays is almost universal among "black-coated" (salaried) workers, and urges that the system be extended to wage-earners. To the latter, at present, holidays are times of acute financial stress, to be dreaded rather than looked forward to. By W. F. Watson. *The Human Factor*, October, 1936, p. 366:6.

A Program of Desirable Investigations on the Topic of Vocational Guidance

This article, based on a consensus of opinion of certain leading psychologists who are interested in vocational guidance, outlines some of the main problems for research in this field. These include problems connected with the assessment of temperament, meth-

ods of interviewing, the extent and importance of social, individual, sex and age differences, general questions relative to occupations and tests, factorial analysis and allied psychological problems. *The Human Factor*, September, 1936, p. 315:7. Reprinted from the *British Journal of Psychology*.

Now, Mr. Executive, Check Yourself

Who checks up the executives? That is the interesting question raised by a store manager, who believes that a little self-analysis would not do the average executive any harm. He submits a list of eight executive shortcomings and suggests that every executive ought to check himself against them.

1. Do you reprimand subordinates in the presence of others?
2. Do you receive employee suggestions graciously, even when they are obviously impractical?
3. Do you always keep in mind the mass of detail work your managers are required to do?
4. Are your orders always consistent with those issued by other executives?

5. Do you show resentment when an employee disagrees with you?
6. Are you careful to see that the right man gets credit for praiseworthy results?
7. Are you a good speaker?
8. Do you give your managers a chance to use their own initiative?

Chain Store Age, Grocery Executives Edition, November, 1936, p. 92:2.

Does Business Play Fair with Women?

This article speaks of the various injustices done to women in business and

the harm it does to the morale of a company when the feminine employees are discouraged and cynical.

A table on "how 38 companies treat married women" lists the names of the 38 companies and their individual answers to questions. According to the tally of the answers, 6 companies of the 38 hire married women; 18 do not hire them; 11 hire them occasionally, but prefer not to; 14 discharge them when

they get married; 20 do not discharge them when they get married; 8 believe they are more efficient after marriage; one thinks they are less efficient; and 11 think that marriage makes no difference in their work. Several of the companies which think women are more efficient after they are married, nevertheless discharge them when they get married. *American Business*, October, 1936, p. 33:3.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Has Your Organization a Standards Book?

Nearly eighty years ago John Nystrom, pioneer in the compilation of mechanical engineering handbooks, made the statement that it is up to every engineer to "build his own handbook" over the entire period of his active career. That can well be applied to the building up of standards and standards of procedure in the engineering departments.

The trouble usually is that the rules "just grow" and by the time their cultivation is undertaken they have grown to such a degree that it is difficult if not impossible to correct their basic deficiencies. For example, the standard gage for railways comes from that of horse-drawn vehicles. By the time forward-looking engineers questioned it, the country had been covered with a network of rails laid to that standard, thousands of locomotives and cars had been built to it, and so—for better or for worse—it is still with us, regardless of basic deficiencies.

One lesson that might well be drawn from this is that when a new engineering department is organized, or an old one is revamped, the time to choose basic standards is *immediately*.

While it is well to draw heavily upon the experience of other and older companies, it is equally important that originality be used in conforming standards to the special needs that every company has.

In older companies, particularly those which have been manufacturing the same or similar products for many years, the overhauling of standards and procedures in the engineering department calls for courage and persistence. High expectations should not be held that anything revolutionary can be accomplished overnight, unless by chance a lot of "die-hards" among personnel and products pass suddenly out of the picture. Models do change much more rapidly these days than formerly and general adoption of basic standards is more common than it was a few years ago. Consequently, more opportunities

are arising when long, quick strides can be taken. At least a beginning can be made if it is nothing more than a screw list. It is amazing what a needlessly large number of sizes and kinds of screws are carried in stock in plants where every draftsman has been allowed to specify them without regard to what is readily available.

Many large and successful companies are putting their standards on record and making them available to the whole organization by means of loose-leaf books which can change with the system. These standards books are not only helpful in guiding the older members of the engineering department but they are also extremely helpful in quickly breaking in draftsmen, designers and engineers who are new in the organization.

All the books are loose-leaf, most of them with 8½ by 11-inch sheets. These books are designed to help with the latest data rather than to hinder with outgrown rules. Most of the material

is mimeographed or reproduced by the offset process, the latter enabling clear reproduction of drawings regardless of original size. The most convenient books are those divided into sections with tabbed index sheets between them.

There is specific information in these standards books in regard to basic shop operations about which the average draftsman cares little. Without admitting unfamiliarity with shop practice, he often would put through drawings which lacked completeness. He did this on the assumption that the mechanics would quietly draw on their own experience to fill in deficiencies in the graphical instructions.

Standards books go into such detail that they make apparent that "working drawings" are now supposed to be all that the name implies. Not only are they expected to "tell the whole story" but also to tell it correctly. By Guy Hubbard. *Machine Design*, October, 1936, p. 29:3.

MARKETING MANAGEMENT

The Arctic Inspires a New Product — and Opens a Market

"Radios working beautifully," dwellers in the Arctic regions wrote regarding sets that were given to them during the McMillan National Geographic Expedition. "You have no idea what a boon they are in these frozen solitudes of the north during the long winter night."

Yes, but the radios were not going to last long. They were run on dry cell batteries. A few months passed and let-

ters came from the Arctic saying it was too bad but the batteries were running down.

Commander Eugene F. McDonald, Jr., President of the Zenith Radio Corporation, had installed the radios, and now he was troubled. He set about looking for a solution to the problem. He found that this same situation was faced by our own people living on un-electrified farms. Statistics showed there were more than 11,000,000 such farms in the country, and that the farm

market showed a radio coverage of only 20 per cent. A bonanza, if it could be tapped! And the key was the answer to the first problem.

Commander McDonald found it in windmills, and got on the trail of windmill makers who could make a windmill just big enough to drive a 6-volt generator. A Zenith engineer ran across two brothers in Sioux City, Iowa, who were rewinding second-hand automobile generators, hooking them to small wind-propellers of the airplane type, and selling them to farmers in a small way for charging automobile batteries.

These boys had made real progress but lacked funds to produce new generators. We placed with them an order for 50,000 small windmills on the agreement that they would sell these just as cheaply as possible, direct to the farmers. They were, of course, to stop using old generators, and were to purchase new generators in quantity.

We began to advertise these farm radio Wincharger combinations in a small way, with coupon copy. The space was not spectacular. Some 30 national, sectional, and state farm journals carried 280-line advertisements practically every month, and by the end of nine months about 286,000 inquiries had come in from farms. Retailers wrote by the hundreds. The total number of dealers handling Zenith radios grew from 3,000 to 15,000 in the corresponding time.

The advertising copy itself aroused the customer's curiosity in the new radiopower device that cost only 50 cents a year to operate and drew its electricity from the wind. The entire

advertisement concentrated on getting the farmer to write in asking for a free trial. Each farmer who wrote received a letter and explanatory literature from the factory. At the same time the name of the writer was sent to the distributor in the territory, for the follow-up and demonstration work with the local dealer.

Today more than 200,000 people are enjoying this new type farm radio; thousands of country dealers, many of whom never before sold a radio, are doing well with them. They are demonstrating them in the home and are piling up sales records not thought possible in this market. By Eugene F. McDonald, Jr., President, Zenith Radio Corporation. *Executives Service Bulletin*, Metropolitan Life Insurance Company, November, 1936, p. 1:3.

Why Co-Ops Thrive

Let us go over, briefly, some of the things the cooperatives have been and are doing to advance their cause, and in passing I want to say, it is a perfectly beautiful job of propaganda. I sincerely doubt if the average executive knows anything about it.

1. They have disciples of this movement in practically every university in this land as instructors. Many of the institutions' very lives are dependent on contributions and endowments made possible by profits.

2. They have prescribed courses in universities, high schools, grade schools, getting down to the essay contests for the lower grades on "What the co-operative has done for my daddy."

3. They are publishing any number

of association papers whose main purpose is to sponsor this movement and tear down the present system. Furthermore, they successfully solicit advertising from those firms they are trying to wreck, thus making that many more pages available to the editor through which to prate about the evils of the profit motive.

4. The churches are full of it, and these very churches have been built and are maintained through contributions of men who have made a profit. To further the movement more, last summer Dr. Kagawa made a tour of the country.

5. Favorable legislation has been enacted—just ask anyone who has tangled with the chain-store tax laws of the various states. Are the cooperative stores exempt? You bet your bottom dollar they are; they saw to that.

I could go on indefinitely with this thought, including government money and the recent commission to Europe, but it would serve no point. By a Farm-Paper Representative. *Printers' Ink*, November 26, 1936, p. 100:2.

How Much Business Should A Store Obtain From Its Employees

A limited survey made by the Controllers' Congress on the percentage of its business a department store should obtain from its employees showed as a result of a questionnaire sent to some of the larger stores an average of 3.8% for the first half of 1936. The annual volume classification ranged between five and ten million dollars.

In connection with this study the

stores were asked for data on the discount and shopping privileges which are extended to the employees and to dependents of employees. There was found generally to be a 20% discount on wearing apparel and a 10% discount on other merchandise. There is a tendency to give the employee shopping privileges when the store is less crowded—early in the morning or late Monday afternoon. Special permission for shopping may be granted at the discretion of the employee's superior. *The Balance Sheet*, November, 1936, p. 22:2.

Introducing New Salesmen

Time has proved that methods of introducing the new salesman to his territory are comparatively few and that each one has its disadvantages. Any plan depends upon the personality of the salesman. Most sales executives agree that some form of introduction is desirable. The methods are summarized as follows:

Personal introduction by the retiring salesman. Of value only when the retiring salesman is being promoted, or leaving because of some reason not connected with failure. When the retiring salesman cannot go around with the new man, he can pave the way by dropping a good word here and there for the newcomer. This cuts off possible gossip and shows dealers that their old friend is not getting a bad deal.

Personal introduction by the district manager. Likely to work best if the old salesman has been fired or is going to another company. It is also of value if the new man needs some training on the road.

Personal introduction by the sales manager. This is of greatest value where the sales manager knows a number of dealers in the territory where a difficult situation has arisen, and the retiring salesman is leaving bad feelings behind him. It also has value with the more important accounts because it shows them that the company values their business enough to send out a high officer to help out the new man.

By letter. Probably the most commonly used method. A genial letter introduces the new salesman and makes for goodwill. Such letters should be signed either by the sales manager or the president, unless there happens to be someone at the home office who is well acquainted in the territory.

Announcement folders. A variation of the letter idea with the disadvantage of being more formal. Occasionally a new salesman can be introduced by a folder showing his picture and telling how well he fits the territory.

By house magazine. The least satisfactory because it scatters the message over all territories when the job is being done in one territory alone. This method can be used as an adjunct to other methods. Thus a picture of the new salesman and a description of what he has done will do no harm in territories where he will not work and drives home one more official nail for him in the territory where he will work.

Business-paper advertising. Again, this method scatters the shot, but if used as an adjunct to some other method, it has the official flavor. It also puts some personality into the business-paper advertising and shows what kind of

salesmen the company hires to cover its territories.

At business shows. Certain industries have periodic business shows at which buyers gather from all over the country. Of course, introducing the new salesman cannot always be timed to fit into the business show but where it is possible to have the new salesman at a booth, company executives do have an opportunity to inject personal flavor into the salesman's introduction.

Home office back-stops. One sales executive, when asked the best method of introducing new salesmen, said: "Why expose yourself to weakness in your selling organization through changes in your selling staff? We avoid such a situation by training back stops. Our plan takes a man in rather early and gives him training in the stock room. Later he is set to office work, after which he becomes inside contact man with customers, acting as the salesman's first line of help in the office. Customers are told that this man is on the job and he then becomes a sort of assistant sales manager. When the man in the field leaves, the office man can step into his shoes with little ado. *Printers' Ink*, November 5, 1936, p. 69:2.

Check List of Possible Effects of the Robinson-Patman Act

In a situation, declare the authors, where uncertainties dominate and yet judgments must be made, there is some excuse for an attempt to sum up even the immature portents which can be drawn from these sources. Taken altogether, their resultants may point the

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direction if not the range of many of the things to come. Accordingly, the authors have set up a check list of the possible effects of the Robinson-Patman Law on business practices and distributive relations, against which manufacturers and distributors may wish to examine their own policies.

The specific points discussed are grouped under the following heads: products, prices, allowances and services, brokerage, cost accounting and allocation, channels of distribution. Under each of these points are numerous sub-heads. As an example of the kind of thing the check list provides, we shall quote from the sub-head "Different Brands for Identical Commodities" under the heading of "Products":

"Majority opinion appears to be that, in spite of different brands or different consumer acceptances, 'like grade and quality' will exist if the commodity is intrinsically the same. Independent price structures cannot therefore be created when the only distinction is separate branding, but must conform to the criterion of differential costs. If this opinion proves to be correct, it will eliminate the use of private brands on like grades solely for the purpose of price discrimination." By Willard L. Thorp and Edwin B. George. *Dun & Bradstreet, Inc.*, 1936. 24 pages.

The Changes of Tomorrow

Among the changes in distribution which the future may bring is the substitution of consumer cooperatives for our present types of retailing. In the first place, interest in the cooperative movement which until recently has

been dormant is now receiving the active encouragement of the government. In the second place, all that is needed to give the movement real impetus is a demonstration that it offers the consumer a better break than our present system of distribution.

Obviously the proper course for those who are interested in maintaining the present system of distribution is to iron out its rough spots—to step up its efficiency so that neither the consumer cooperative nor any other new system can offer the consumer more. *Chain Store Age*, Administration Edition, September, 1936, p. 12:1.

These Salesmen Say It in Black and White

One factory superintendent, when buying new equipment, has the salesmen, and especially those representing houses from which he has previously bought, dictate to his stenographer their statements as to the superiority of their goods, their uses, etc.

This he finds has several advantages. If a salesman in his conversation is inclined to be over-enthusiastic, he tones down his statements when he puts them in writing. The superintendent also finds it worth while to have a definite record of the salesman's claim of performance.

Then too, the statement covers points concerning operation; instructions for use; the uses after delivery of the equipment, etc. All the superintendent need do, is to review the statement before instructing workmen in how to use the equipment.

When the superintendent finds that

the salesman has technical knowledge of value to the factory, he asks him to dictate it; he does this particularly when the salesman makes suggestions after a visit to the plant.

"I seldom fail to see a salesman," he says, "because I find that nearly everyone has something for us. It is merely a matter of getting it from him and then I make a record of it.

"I find it is better to have him dictate it than to undertake to write it himself, for then I am sure of an accurate, detailed record." *The Office Economist*, September-October, 1936, p. 12:1.

The Retailer's Calendar and Promotional Guide for 1937

Should retail stores throw so many advertising dollars into the sale of umbrellas in April — the month whose showers bring May flowers? Should the advertising appropriation for furniture be sliced so thick in February, the month along with August when huge furniture sales flourish country-wide,

and be spread so thin the rest of the year? Is the department store market there for selling stationery in real volume when the children pile back to school in September?

To these queries and many similar ones to which the usual answer in thousands of stores is "yes," the Sales Promotion Division of the National Retail Dry Goods Association points to the record and demonstrates that in six other months than April the average store sells more umbrellas, that while August is the first volume month of the year for furniture sales, December is a close second, and February is actually seventh. Stationery, despite its supposedly great market among returning school children, does 50 per cent of its annual department store volume in October, November and December — and only 6.6 per cent in September.

Such information is a sample of the information provided in this calendar and promotional guide. Compiled by Thomas Robb. *National Retail Dry Goods Association*, 1936. \$2.50.

BOOKS RECEIVED

Depression and Reconstruction. By Eleanor Lansing Dulles. University of Pennsylvania Press, Philadelphia, 1936. 340 pages. \$3.00.

Adventures in Price Fixing. By Jules Backman. Farrar & Rinehart, New York, 1936. 57 pages. 40 cents.

The New Social Order. By Guy V. Price. The Brown-White Company, Kansas City, Missouri, 1935. 241 pages. \$2.25.

Foundation Guide for Payroll Taxes. By William Kix Miller. The Foundation Press, Chicago, 1936. 264 pages. \$3.00.

Elements of Retailing. By Ruth Leigh. D. Appleton-Century Company, New York, 1936. 385 pages. \$1.80.

Hidden Taxes in Corporate Reorganizations. By Arnold R. Baar and George Maurice Morris. The Foundation Press, Chicago, 1935. 547 pages. \$10.00.

Markets and Men. By J. W. F. Rowe. The Macmillan Company, Cambridge, England, 1936. 259 pages. \$2.00.

Federal Commissioners. By E. Pendleton Herring. Harvard University Press, Cambridge, Massachusetts, 1936. 151 pages. \$1.50.

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Automotive Money-Saving Facts. By J. F. Winchester. The Traffic Publishing Company, New York, 1936. 417 pages. \$3.00.

Tested Selling Ideas. By C. B. Larrabee and Henry W. Marks. McGraw-Hill Book Company, New York, 1936. 368 pages. \$3.50.

National Income and Its Elements. By Robert F. Martin. National Industrial Conference Board, New York, 1936. 134 pages. \$2.50.

Essentials of Distribution. By Paul D. Converse. Prentice-Hall, New York, 1936. 588 pages. \$2.80.

Migration of Industry to South America. By Dudley Maynard Phelps. McGraw-Hill Book Company, New York, 1936. 335 pages. \$4.00.

Dividends for Citizenship. By John Leslie Dobbins. Suttonhouse, Ltd., New York, 1936. 216 pages. \$2.50.

Survey of Books For Executives

Men, Women, and Jobs. By Donald G. Paterson and John G. Darley. The University of Minnesota Press, Minneapolis, 1936. 145 pages. \$2.00.

This is the story of a five-year investigation carried on as a part of the work of the Employment Stabilization Research Institute of the University of Minnesota. During this period thousands of individuals passed through the Institute. Some were employed, others unemployed. It was the task of the Committee on Individual Diagnosis and Training, working with the assistance of experts in the fields of psychology, sociology, medicine, and economics, and a highly efficient testing program, to discover why these differences existed, and to devise means for the retraining, and improved adjustment of the people who were unemployed.

In this report the authors have included many actual case histories and descriptions of the tests they used for determining whether or not the applicants who came to them for help had

been doing work they were fitted for by nature and training.

Their findings and recommendations are offered to personnel executives, and rehabilitation workers.

Ebb and Flow in Trade Unionism.

By Leo Wolman. National Bureau of Economic Research, New York, 1936. 251 pages. \$2.50.

This book is Volume 30 of the National Bureau of Economic Research series, and supplements *The Growth of American Trade Unions, 1880-1923*. It is a general discussion of developments in trade unionism during the NRA, the present division within the ranks of the American Federation of Labor, and many of the problems now facing the labor movement in the United States.

Dr. Wolman points out that in the two years following June 16, 1933, when the NIRA was signed and the Recovery Administration set up, labor unions gained 900,000 members. The

increase was much greater in the first than in the second year. During 1933-34, 650,000 members were added. During 1934-35, for which preliminary figures are available, unions affiliated with the A. F. of L. gained only 287,000, independent unions lost 7,000, making a net gain for all unions of 280,000 members.

The author states that whether this decided slackening in the rate of increase is only a pause in the advance or foreshadows an early termination of the present uptrend depends mainly on the ability of the labor movement to establish itself in the traditionally unorganized industries.

"While American unions have changed their attitude towards the regulation of industry by government and have come increasingly to depend on governmental support, they retain the essential features of free and uncontrolled unionism." Wolman also says that in recently enacted laws they have succeeded in preserving the right to strike and in preventing the incorporation of provisions that would expose their operations to more thoroughgoing regulation than now exists. But the unfolding of present policies of industrial regulation and collective bargaining may well expose unions in this country, as it has in others, to governmental regulation of their policies.

Government Publications and Their Use. By L. F. Schmeckebier. The Brookings Institution, Washington, D. C., 1936. 446 pages. \$3.00.

In number and variety the publications of the Government of the United States probably exceed those of any

other government or of any commercial publisher. This volume describes the various guides that are available, indicates the use and limitations of the indices, explains the system of numbering and titling, calls attention to outstanding compilations in many fields, indicates how publications may be obtained or consulted, and includes comment on many features that are likely to be confusing. It is designed to meet the needs of librarians, writers, investigators, and students.

Handbook on The Law of Private Corporations. By Robert S. Stevens. West Publishing Co., St. Paul, Minnesota, 1936. 946 pages. \$5.00.

This volume is an exposition and a critical analysis of the modern law of business corporations. The author has not sought to consider the corporation in its sociological aspects as an economic institution. He states that he is aware of the implications of the latter, and is fully conscious of the importance of suitable governmental regulation of business, in whatever form conducted. Such regulation, he believes, has not in fact been limited to business which is incorporated, and, consequently experience has demonstrated that the power to regulate corporate business is not dependent upon a perpetuation of the theory that a corporation, unlike other forms of business associations, is created by the sovereign grant of a franchise.

"Of legal fictions, it has been said that they are 'scaffolding—useful, almost necessary, in construction, but after the building is erected, serving only

to obscure character, origin, or corporate structure."

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to obscure it.' The accuracy of this characterization is exemplified by the origin and effect of the orthodox corporate fiction."

Because corporation law is to a large extent statutory, illustrative statutory provisions have been discussed in the text or cited in the footnotes. Singled out for special attention and comparison are the more important sections from the statutes of those several states which, during the past few years, have carefully revised their corporation statutes in accordance with modern theories

American Business Fundamentals.

Justin H. Moore, Editor. Longmans, Green and Co., New York, 1936. \$1.00 each.

This series of eight volumes on business fundamentals is one of the best that has come to our attention. It is a group of practical tests, giving in short length books, the essence of each subject. Each volume is written by an especially qualified person. Emphasis is laid on important principles, and only so much detail is presented as may be necessary to illustrate them and suggest a method of approach to the every day problems of commerce, industry, and finance. The series is designed to meet the needs of adult readers and students desiring a good perspective on the subject. It is evident that the various authors have taken pains to present their subjects in essence as sheer as possible.

The series includes: "General Principles of Insurance," by Francis T. Allen. "Advertising Principles and Practice," by Warren B. Dygert, "How To Write Advertising," by Kenneth

M. Goode, "Bookkeeping Principles and Practice," by George E. Bennett, "Accounting Principles and Practice," by Geoffrey Carmichael, "Introduction to Cost Accounting," by Norman Lee Burton, "Principles of Retail Merchandising," by John Russell Doubman, "Mercantile Credit," by William Howard Steiner.

Advertising—Theory and Practice.

By Charles Harold Sandage. Business Publications, Inc., 1936. 605 pages. \$4.50.

An adequate text book of advertising, replete with questions and written on a comprehensive scale, is Professor Sandage's "Advertising — Theory and Practice."

The author traces the growth of advertising through the ages to the present day, and carefully analyzes its social and economic effect upon the manufacturer and consumer.

A particularly sound chapter is devoted to truth in advertising, pointing to the fact that the advertiser defeats his best made plans when he exaggerates or falsifies in presenting his product to the consumer.

This book is primarily for the student and, as such, devotes the majority of its pages to the basic principles of construction, copy, research, market analysis and the agency.

So You're Going to a Psychiatrist.

By Elizabeth I. Adamson, M.D. Thomas Y. Crowell Company, New York, 1936. 274 pages. \$2.50.

In her opening chapter, Dr. Adamson says:

"Some of the most externally successful business men are internally extremely maladjusted. Business provides an outlet for a tremendous amount of energy, and personality defects are often a financial asset. Such traits as impersonality, preoccupation with tangible returns, hard external self-confidence, absence of give-and-take, and the desire to impose one's will on others, make for business success and may even contribute indirectly to the well-being of others. Since the business man deals with equals, that is with adults who can protect themselves from him, these offensive-defensive attitudes are not considered dangerous in economic competition and are even accepted as part of the game. But the same traits when unleashed within the family, stunt the personalities of growing children who are helpless against the tyranny of their father. Hence nobody hates the conventional business man as do his own children. . . ."

It might well be said that if nobody hates the "powerful" business executive as much as do his own children, at any rate in many cases the employees under his control can come pretty close to it. Out of this fact and the changing attitudes which have come with the carrying over of democratic ideals into industry there has arisen a new trend in organization theory.

This trend, exemplified by Mary Follett's substitution of power-with for power-over, as the guiding principle in human relations, has its reflection in the practical doctrine that the business of an executive is not to boss people but to educate and train them and act

as a leader for them. An important part of this doctrine is that for this reason the executive himself needs education of a special kind.

We have seen, therefore, in recent years an increasing number of studies of the psychology of the executive, the attitudes of workers and human relations in industry. Among these studies Dr. Adamson's book comes as a major event since it is the first complete explanation of psychiatry made by a professional psychiatrist of high standing in terms that the lay person can easily understand.

The book is eminently readable and intensely interesting. The chapters: Politics of the Mind, Running from Ghosts and Nervous Breakdowns, constitute a masterpiece in the accurate and simple presentation of difficult technical material. They comprise an explanation of human behavior which every executive would do well to read and apply to himself as well as to his neighbors.

This is not a recommendation of the book as a cure-all for the difficulties in human relationships in which its readers find themselves. No one would protest more strongly against such an idea than Dr. Adamson. But the reader will certainly get a broadened outlook on the why and wherefore of human behavior. Such an outlook is characteristic of the successful executive of the newer type who leads instead of drives and enables those who work with him to help his project through the achievement of their own personalities.

L. POWELL.

